

General Council
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**EC – AUTONOMOUS PREFERENTIAL TREATMENT TO THE COUNTRIES
OF THE WESTERN BALKANS**

Report of the European Community under the Decision of 8 December 2000¹

The following communication, dated 5 December 2003, has been received from the Permanent Delegation of the European Commission.

1. Introduction

1. On 8 December 2000, the EU was granted a waiver (WT/L/380) from its obligations under paragraph 1 of Article I of the GATT 1994 to the extent necessary to permit the European Community to afford duty-free or preferential treatment to eligible products originating in Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, without being required to extend the same duty-free or preferential treatment to like products of any other member. This waiver will expire on 31 December 2006.

2. Under the terms of this waiver, the European Community is required to submit to the General Council an annual report on the implementation of the autonomous preferential treatment with a view to facilitating the annual review provided for in paragraph 4 of Article IX of the WTO Agreement. This report covers calendar year 2003.

3. The EU trade regime *vis-à-vis* these countries is currently regulated by the granting of autonomous trade preferences and by the conclusion of Stabilization and Association Agreements. As trade statistics for the current year are not yet available, those presented in the annex relate to the full year 2002.

2. Autonomous trade preferences

4. Before 2000, the European Union already had a liberal trade regime towards the Western Balkans, allowing more than 80 per cent of regional exports to enter the European Union duty-free. On 1 December 2000 the EU Council of Ministers extended the duty-free access to the EU market for products originating from this area even further.

5. The reason for such an extension was that the general level of imports from the Western Balkans countries remained very low, being less than 0.5 per cent of all Community imports. It was, therefore, considered appropriate to further improve the Community's autonomous trade preferences

¹ Document WT/L/380 of 8 December 2000.

by removing all remaining tariff ceilings for industrial and agricultural products and by further improving access to the Community market for agricultural and fishery products.

6. Further market opening is expected to contribute to the process of political and economic stabilisation in the region. Fully liberalized access to the markets of the European Union is also foreseen as part of the Stabilization and Association Agreements.

3. The Stabilization and Association Agreements

7. The Stabilization and Association Agreements, which the EU is progressively concluding with the countries of the Western Balkans, are tools which provide, much as the Europe Agreements did for the candidate countries in Central Europe, for the economic development and political stabilisation of the countries in the region, and to establish a close, long-term association between the EU and the Western Balkans.

8. The Stabilization and Association Agreements aim at creating a free trade area for goods among the parties over a transitional period in line with Article XXIV of the GATT 1994 and envisages a progressive and reciprocal liberalisation of trade in services. Associated disciplines in areas such as competition and state aid rules, intellectual property, public procurement, etc. are also envisaged.

9. Two agreements of this kind have been concluded so far. One with the former Yugoslav Republic of Macedonia and one with Croatia. The trade provisions of these two agreements entered into force on, respectively, 1 June 2001 for the former Yugoslav Republic of Macedonia and 1 March 2002 for Croatia, by means of interim agreements. Both agreements establish a free trade area with the concerned country in line with the obligations foreseen in Article XXIV of the GATT 1994. At the same time they allow the continuation of the autonomous preferences where these provide more favourable conditions for the export of the goods originating in Croatia and in the former Yugoslav Republic of Macedonia. Negotiations on a Stabilisation and Association Agreement with Albania started on 31 January 2003 and are ongoing.

4. Trade with the countries of the Western Balkans

10. In the year 2002 EU imports from the Western Balkans concentrated primarily on agricultural and textile products. However, the trade balance for the countries of the Western Balkans remained negative for all sectors. The stabilization of the area and the new export opportunities described in the precedent paragraphs should help the Western Balkans countries to diversify their economies and to ameliorate such a trade balance.

11. Statistical annexes are provided to present a detailed description of the EU trade relations with the countries of the Western Balkans for the year 2002. The first annex describes the trade relations with the countries of the Western Balkans as a whole, while the remaining annexes describe in detail the trade relations with each country of the region.

ANNEX 1
WESTERN BALKANS

Population:	2002	24	Mio
Area:	(1,000skm)	264	

Gross Domestic Prod.	2002	54	Bn euro
GDP Per Capita	2002	2,255	Euro

EU TRADE WITH WESTERN BALKANS (MIO ECU/EURO)

Rank		1993	1995	2001	2002	Rank		1993	1995	2001	2002
37	Imports	2,148	2,688	5,190	5,297	24	Exports	3,250	5,407	11,497	12,943
Share of EU total (%)		0.8	0.6	0.5	0.5			1.5	1.4	1.2	1.3
Trade balance		1,102	2,723	6,307	7,646						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

<u>EU Imports</u>			<u>EU Exports</u>			
Products	Value	Western Balkans share by prod.	Products	Value	Western Balkans share by prod.	<u>Balance</u>
Agricultural products	907	1.1	Agricultural products	1,423	2.2	516
Energy	82	0.1	Energy	361	1.5	234
Machinery	546	0.2	Machinery	3,137	1.1	2,591
Transport. Material	190	0.2	Transport. Material	1,706	1.0	1,516
Chemical products	238	0.3	Chemical products	1,453	1.0	1,215
Textiles and clothing	1,142	1.6	Textiles and clothing	1,248	9.6	106

World*: Intra-EU excluded.

Sources: EUROSTAT (COMEXT, CRONOS) FMI (DOTS) WEFA (WMM).

ANNEX 2

ALBANIA

Population:	2002	3	Mio
Area: (1000qkm)	2002	29	

Gross Domestic Product	2002	5	Bn euro
GDP Per Capita	2002	1.623	euro

EU TRADE WITH ALBANIA (MIO ECU/EURO AND %)

Rank	Imports	1993	1995	2001	2002	Rank	Exports	1993	1995	2001	2002
107		81	151	352	335	77		405	517	1094	1.082
	Share of EU total	0.02	0.03	0.03	0.5			0.1	0.1	0.1	2.6
	Trade balance	324	366	742	747						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

EU Imports			EU Exports			Balance
Products	Value	Albania % of EU total by products	Products	Value	Albania % of EU total by products	
Agricultural products	41	0.05	Agricultural products	192	0.3	151
Energy	7	0.01	Energy	56	0.2	49
Machinery	14	0.01	Machinery	220	0.1	206
Transport material	2	0.001	Transport material	45	0.03	43
Chemical products	2	0.002	Chemical products	78	0.1	76
Textiles and clothing	97	0.1	Textiles and clothing	137	0.3	40

World*: Intra-EU excluded

Sources: EUROSTAT (COMEXT, CRONOS) IMF (DOTS) WEFA (WMM).

PLACE OF ALBANIA IN EU TRADE (2002)

EU Imports					EU exports			
Products	Rank	€M	Share by products	Share of total	Rank	€M	Share by products	Share of total
Total	107	335	0.03	100	77	1.082	0.1	100
Agricultural products	109	41	0.05	12.2	56	192	0.3	17.8
Energy	77	7	0.01	2.1	43	56	0.2	5.2
Non agr. Raw materials	109	0.01	0	0	80	4	0.1	0.3
Office machinery and telec equipment	65	6	0.004	1.7	67	71	0.1	6.6
Power generating machinery	81	4	0.01	1.3	90	89	0.1	8.2
Transport materials	108	2	0.001	0.5	116	45	0.03	4.1
Chemicals	110	2	0.002	0.5	86	78	0.1	7.2
Textiles and clothing	55	97	0.1	28.9	41	137	0.3	12.7
Iron and steel	54	10	0.1	2.9	70	25	0.1	2.3

Source: EUROSTAT (COMEST).

ANNEX 3

BOSNIA HERZEGOVINA

Population:	2002	4	Mio
Area: (1000skm)	2001	51	

Gross Domestic Product	2001	6	Bn euro
GDP Per Capita	2001	1,473	euro

EU TRADE WITH BOSNIA HERZEGOVINA (MIO ECU/EURO)

Rank	Imports	1993	1995	2001	2002	Rank	Exports	1993	1995	2001	2002
83		31	24	609	633	70		73	157	1.22 4	1.34 1
Share of EU total		0.01	0.004	0.1	0.9			0.02	0.02	0.1	3.2
Trade balance		-289	-687	615	708						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

EU Imports			EU Exports			Balance
Products	Value	BiH % of EU total by products	Products	Value	BiH % of EU total by products	
Agricultural products	94	0.1	Agricultural products	222	0.3	128
Energy	29	0.1	Energy	6	0.03	-23
Machinery	23	0.01	Machinery	305	0.1	282
Transport material	18	0.02	Transport material	153	0.1	135
Chemical products	4	0.01	Chemical products	126	0.1	122
Textiles and clothing	115	0.2	Textiles and clothing	119	0.3	4

World*: Intra-EU exclu.

Sources: EUROSTAT (COMEXT, CRONOS) FMI (DOTS) WEFA (WMM).

PLACE OF BOSNIA HERZEGOVINA IN EU TRADE (2002)

EU Imports					EU exports			
Products	Rank	€M	Share by products	Share of total	Rank	€M	Share by products	Share of total
Total	83	633	0.1	100	70	1.341	0.1	100
Agricultural products	91	94	0.1	14.9	50	222	0.3	16.6
Energy	66	29	0	4.5	89	6	0.03	0.5
Non agr. Raw materials	99	0.02	0	0	74	4	0.1	0.3
Office machinery and telec equipment	103	1	0.001	0.2	61	94	0.1	7
Power generating machinery	59	21	0.03	3.4	74	164	0.1	12.3
Transport materials	75	18	0.02	2.9	76	153	0.1	11.4
Chemicals	94	4	0.01	0.7	73	126	0.1	9.4
Textiles and clothing	52	115	0.2	18.2	47	119	0.3	8.9
Iron and steel	51	12	0.1	1.9	71	25	0.1	1.8

source: EUROSTAT (COMEXT).

ANNEX 4

CROATIA

Population:	2002	4	Mio
Area: (1000qkm)	2002	57	
Gross Domestic Product	2002	23	Bn euro
GDP Per Capita	2002	5,143	Euro

EU TRADE WITH CROATIA (MIO ECU/EURO AND %)

Rank	Imports	1980	1990	2001	2002	Rank	Exports	1980	1990	2001	2002
53		203	427	2.470	2.457	33		122	179	5.415	6.478
	Share of EU total	0.1	0.1	0.2	0.2			0.1	0.01	0.6	0.7
	Trade balance	-81	-248	2.945	4.021						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

EU Imports			EU Exports			Balance
Products	Value	Croatia % of EU total by products	Products	Value	Croatia % of EU total by products	
Agricultural products	302	0.4	Agricultural products	563	0.9	261
Energy	35	0.03	Energy	169	0.7	134
Machinery	418	0.2	Machinery	1.564	0.6	1.146
Transport material	82	0.1	Transport material	1.109	0.7	1.027
Chemical products	178	0.2	Chemical products	742	0.5	564
Textiles and clothing	546	0.8	Textiles and clothing	563	1.3	17

World*: Intra-EU exclu.

Sources: EUROSTAT (COMEXT, CRONOS) IMF (DOTS) WEFA (WMM).

PLACE OF CROATIA IN EU TRADE (2002)

EU Imports					EU exports			
Products	Rank	€M	Share by products	Share of total	Rank	€M	Share by products	Share of total
Total	53	2.457	0.2	100	33	6.478	0.7	100
Agricultural products	53	302	0.4	12.3	24	563	0.9	8.7
Energy	64	35	0.03	1.4	21	169	0.7	2.6
Non agr. Raw materials	27	13	0.2	0.5	36	25	0.7	0.4
Office machinery and telec equipment	35	76	0.1	3.1	34	455	0.5	7.0
Power generating machinery	31	158	0.2	6.4	37	809	0.5	12.5
Transport materials	54	82	0.1	3.3	30	1.109	0.7	17.1
Chemicals	35	178	0.2	7.2	35	742	0.5	11.5
Textiles and clothing	27	546	0.8	22.2	20	563	1.3	8.7
Iron and steel	43	22	0.2	0.9	36	133	0.7	2.1

Source: EUROSTAT (COMESX).

ANNEX 5

FORMER YUGOSLAV REPUBLIC OF MACEDONIA (FYROM)

Population:	2002	2	Mio
Area: (1000skm)	2002	26	

Gross Domestic Product	2002	4	Bn euro
GDP Per Capita	2002	1.976	euro

EU TRADE WITH FYROM (MIO ECU/EURO)

Rank	Imports	1993	1995	2001	2002	Rank	Exports	1993	1995	2001	2002
90		535	664	640	562	79		675	880	1,159	1,021
Share of EU total		0.1	0.1	0.1	0.1			0.1	0.2	0.1	0.1
Trade balance		140	216	520	459						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

EU Imports			EU Exports			Balance
Products	Value	FYROM Share of EU total by products	Products	Value	FYROM Share of EU total by products	
Agricultural products	78	0.1	Agricultural products	137	0.2	59
Energy	0.1	0.00012	Energy	108	0.4	108
Machinery	21	0.01	Machinery	166	0.1	145
Transport material	4	0.003	Transport material	87	0.1	83
Chemical products	6	0.01	Chemical products	86	0.1	80
Textiles and clothing	236	0.3	Textiles and clothing	208	0.5	-28

World*: Intra-EU exclu.

Sources: EUROSTAT (COMEXT, CRONOS) IMF (DOTS) WEFA (WMM).

PLACE OF FYROM IN EU TRADE – 2002

EU Imports					EU exports			
Products	Rank	€M	Share by products	Share of total	Rank	€M	Share by products	Share of total
Total	90	562	0.1	100	79	1.021	0.1	100
Agricultural products	95	78	0.1	13.8	62	137	0.2	13.4
Energy	97	0.1	0	0.02	26	108	0.4	10.6
Non agr. Raw materials	85	0.1	0.001	0.01	84	3	0.1	0.3
Office machinery and telec equipment	72	3	0.003	0.6	76	56	0.1	5.5
Power generating machinery	91	3	0.004	0.6	92	83	0.1	8.1
Transport materials	103	4	0.003	0.7	96	87	0.1	8.5
Chemicals	80	6	0.008	1.1	84	86	0.1	8.4
Textiles and clothing	41	236	0.3	42.0	33	208	0.5	20.4
Iron and steel	26	111	0.9	19.7	75	21	0.1	2.1

Source: Eurostat (Comext)

ANNEX 6
SERBIA AND MONTENEGRO

Population:	2002	11	Mio
Area:	(1000qkm)	102	

EU TRADE WITH SERBIA AND MONTENEGRO (MIO ECU/EURO AND %)

Rank	Imports	1993	1995	2001	2002	Rank	Exports	1993	1995	2001	2002
65		3	32	1.097	1.310	45		83	190	2.521	3.016
Share of EU total		0.001	0.01	0.1	1.9			0.02	0.03	0.3	7.1
Trade balance		80	159	1.424	1.706						

MAIN PRODUCTS IN 2002 (MIO EURO AND %)

EU Imports			EU Exports			Balance
Products	Value	Serbia and Montenegro % of EU total by products	Products	Value	Serbia and Montenegro % of EU total by products	
Agricultural products	392	0.5	Agricultural products	308	0.5	-84
Energy	11	0.8	Energy	22	0.1	11
Machinery	69	0.03	Machinery	881	0.3	812
Transport material	85	0.1	Transport material	311	0.2	226
Chemical products	48	0.1	Chemical products	419	0.3	371
Textiles and clothing	148	0.2	Textiles and clothing	220	0.5	72

World*: Intra-EU exclu.

Sources: EUROSTAT (COMEXT, CRONOS) IMF (DOTS) WEFA (WMM).

PLACE OF SERBIA-MONTENEGRO IN EU TRADE (2002)

EU Imports					EU exports			
Products	Rank	€M	Share by products	Share of total	Rank	€M	Share by products	Share of total
Total	65	1.310	0.1	100	45	3.016	0.3	100
Agricultural products	45	392	0.5	29.9	41	308	0.5	10.2
Energy	74	11	0.01	0.8	58	22	0.1	0.7
Non agr. Raw materials	23	19	0.3	1.4	51	13	0.3	0.4
Office machinery and telec equipment	57	9	0.01	0.7	43	286	0.3	9.5
Power generating machinery	44	46	0.1	3.5	49	473	0.3	15.7
Transport materials	52	85	0.1	6.5	59	311	0.2	10.3
Chemicals	50	48	0.1	3.7	47	419	0.3	13.9
Textiles and clothing	48	148	0.2	11.3	30	220	0.5	7.3
Iron and steel	38	51	0.4	3.9	53	47	0.2	1.6

Source: EUROSTAT (COMEXT).